

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

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C O N F I D E N T I A L PORT OF SPAIN 2155

E.O. 11652: GDS

TAGS: EAIR, TD

SUBJECT: CIVAIR: BWIA PLEADS ITS CASE

REF: POS 1013 AND POS 1014

1. SVEN-ERIK SVANBERG, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER OF BRITISH WEST INDIAN AIRWAYS (BWIA), CALLED ON ME SEPTEMBER 5 TO EMPHASIZE HIS PERSONAL CONCERN ABOUT THE IMPLICATIONS OF PENDING DECISIONS BY THE U.S. CAB FOR BWIA AND ITS OWNERS--THE GOVERNMENT OF TRINIDAD AND TOBAGO. (SVANBERG IS AN AIRLINE PROFESSIONAL ON A THREE-YEAR SECONDMENT FROM SAS TO MANAGE BWIA AT THE BEHEST OF THE GOTT.) ALTHOUGH HE CAREFULLY DESCRIBED HIS VISIT AS PERSONAL AND UNOFFICIAL (HE SAID HE HAD NOT INFORMED HIS DIRECTORS OF OUR MEETING), THE TWO ISSUES HE CONCENTRATED UPON WERE AMONG THOSE FOUR LISTED IN PRIME MINISTER WILLIAMS' APRIL 29 LETTER TO SECRETARY KISSINGER (REFTELS). SVANBERG'S UNDERLYING THEME--THAT THE SURVIVAL OF BWIA AS A VIABLE CARIBBEAN AIRLINE SHOULD BE RECOGNIZED BY THE U.S. AS BENEFITING OUR POLITICAL INTERESTS IN THIS REGION--IS PRECISELY THE POINT MADE BY THE PRIME MINISTER IN THAT LETTER, AND REPEATED BY HIS MINISTER OF INDUSTRY AND COMMERCE TO ME ON SEVERAL OCCASIONS. I HAVE NO DOUBT THAT DR. WILLIAMS EITHER INSTIGATED OR ENCOURAGED SVANBERG'S VISIT, PERHAPS TO IMPRESS ME WITH A PROFESSIONAL'S VIEWPOINT, OR PERHAPS TO ATTEMPT TO JUSTIFY THE GOTT'S INTERMINABLE DELAYS IN RESPONDING TO PANAM'S APPLICATION TO VARY ITS

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ROUTES TO TRINIDAD.

2. BWIA, ACCORDING TO SVANBERG, IS NOW AT A CRUCIAL POINT IN ITS DEVELOPMENT. WERE IT NOT FOR UNEXPECTED INCREASES IN FUEL COSTS, HE SAID BWIA OPERATIONS WOULD BE TURNING A TRUE PROFIT FOR THE FIRST TIME IN THE 14 YEARS SINCE THE GOTT PURCHASED MAJORITY CONTROL. BWIA IS NOW ON THE BRINK OF THE PURCHASE OF NEW (U.S. MANUFACTURED) MEDIUM-RANGE AIRCRAFT, AS WELL AS A MAJOR EQUIPMENT REPLACEMENT AND ENGINE RETROFIT PROJECT TO BRING ITS PRESENT FLEET INTO COMPLIANCE WITH U.S. NOISE SUPPRESSION REGULATIONS. SVANBERG SAID THAT THE GO-AHEAD DECISION FOR SUCH MAJOR EXPENDITURES MUST BE BASED UPON FAVORABLE REVENUE PROJECTIONS, WHICH WOULD NOT MATERIALIZE IF THE CAB APPROVED TWO PENDING PROPOSALS.

3. THE FIRST OF THESE PROPOSALS IS THE PANAM--AA ROUTE SWAP INVOLVING NEW YORK-BARBADOS. EMPHASIZING THAT THIS ROUTE PROVIDES 44 PERCENT OF BWIA'S NEW YORK-EASTERN CARIBBEAN TRAFFIC, SVANBERG SAID THAT AA'S PLAN TO PUT A NON-STOP 747 ON THIS RUN WOULD DEVASTATE BWIA'S SHARE OF THE MARKET, BOTH BECAUSE OF EQUIPMENT SUPERIORITY AND DUE TO AMERICAN'S EFFICIENT AND WIDESPREAD DOMESTIC NETWORK WHICH WOULD FEED IN PASSENGERS. BEYOND THIS, HE CLAIMED THAT PANAM WOULD RETAIN ROUTES TO BARBADOS FROM "ALL OF ITS OTHER U.S. POINTS, (SUBJECT TO 24-HOUR STOPOVER RESTRICTIONS) AND HE SAID PANAM PLANNED REGULAR SERVICE FROM THESE POINTS TO BARBADOS. AS A RESULT, SVANBERG SAID, INSTEAD OF THE YEAR-AGO SITUATION OF COMPETING WITH ONE STRONG AND ONE WEAK U.S. CARRIER (PANAM AND CARIBAIR) SERVING BARBADOS, BWIA WOULD SOON BE COMPETING AGAINST THREE STRONG U.S. CARRIERS (PANAM, EASTERN, AND AMERICAN) IN A TIGHT MARKET WHERE TRAFFIC GROWTH HAS ALMOST DROPPED TO NIL.

4. THE OTHER ISSUE RAISED BY SVANBERG WAS THE PROPOSED 4-FOR-3 CHARTER REGULATION. HE SAID THAT RESTRICTING BWIA'S "HOME TERRITORY" TO TRINIDAD AND TOBAGO WOULD BE UNREASONABLE IN VIEW OF RELATIVE POPULATION SIZE, LEVEL OF AFFLUENCE, TRAVEL PATTERNS, AND VISA PROBLEMS. HE SAID HE FELT THAT THE PROPOSED REGULATIONS WERE AIMED AT SEVERE CHARTER PROBLEMS OVER THE NORTH ATLANTIC ROUTES, AND THAT IT WAS UNFAIR TO PENALIZE WEAK CARRIERS IN OTHER REGIONS. I TOLD HIM I THOUGHT THAT THESE REGULATIONS, IF ADOPTED, WOULD HAVE LITTLE EFFECT FOR THE NEXT TWELVE

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MONTHS, AND SUGGESTED THAT THERE MIGHT BE MEANS OF LATER DISCUSSIONS AND/OR NEGOTIATIONS WITH BWIA ON THIS PARTICULAR MATTER.

5. COMMENT: THROUGHOUT OUR HOUR-LONG MEETING, SVANBERG REPEATEDLY EMPHASIZED THE HIGH-LEVEL POLITICAL INTEREST OF THE GOTT IN MAINTAINING BWIA, FIRST AS THE NATIONAL FLAG CARRIER, SECONDLY AS THE PUTATIVE REGIONAL AIRLINE, AND THIRDLY AS

HOPEFULLY ONE DAY A PROFITABLE VENTURE. I TOLD HIM I WAS WELL
AWARE OF THE PRIME MINISTER'S VIEWS ON THIS SUBJECT, WHICH
PROBABLY IS THE NUMBER ONE BILATERAL ISSUE BETWEEN OUR TWO
GOVERNMENTS. ALTHOUGH I AM SURE THAT BWIA'S WASHINGTON COUNSEL
HAS FILED A PERSUASIVE AND WELL-DOCUMENTED BRIEF WITH THE
CAB ON THESE ISSUES, THERE PERSISTS IN TRINIDAD A FEAR THAT SHORT-
RANGE DOMESTIC CONSIDERATIONS MIGHT RESULT IN
USG DECISIONS WHICH COULD SEVERELY DAMAGE BWIA AND--BY EXTENSION--
CAUSE HARM ACROSS THE FULL SPECTRUM OF OUR POLITICAL AND ECONOMIC
RELATIONS WITH TRINIDAD.
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